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14 December 1979

MEMORANDUM FOR: CHALLENGE Steering Group

FROM: James P. Lynch
Chairperson, CHALLENGE Steering Group

SUBJECT: Discussion Topics for 20 December Meeting [redacted]

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1. The next meeting of the CHALLENGE Steering Group will be held at 1030, Thursday, 20 December, in Room 7E32 Headquarters. [redacted]

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2. Topics to be discussed will include the proposed Field Assessment Plan (Attachment A) and NFAC funding options for the OGCR Petroleum Analysis Project (Attachment B). [redacted]

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[redacted]
/ James P. Lynch

Attachments: 2
As stated above

cc: Each Challenge Steering Group Member

[redacted] - Arms transfer

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CONFIDENTIAL
When Separated
From Attachments

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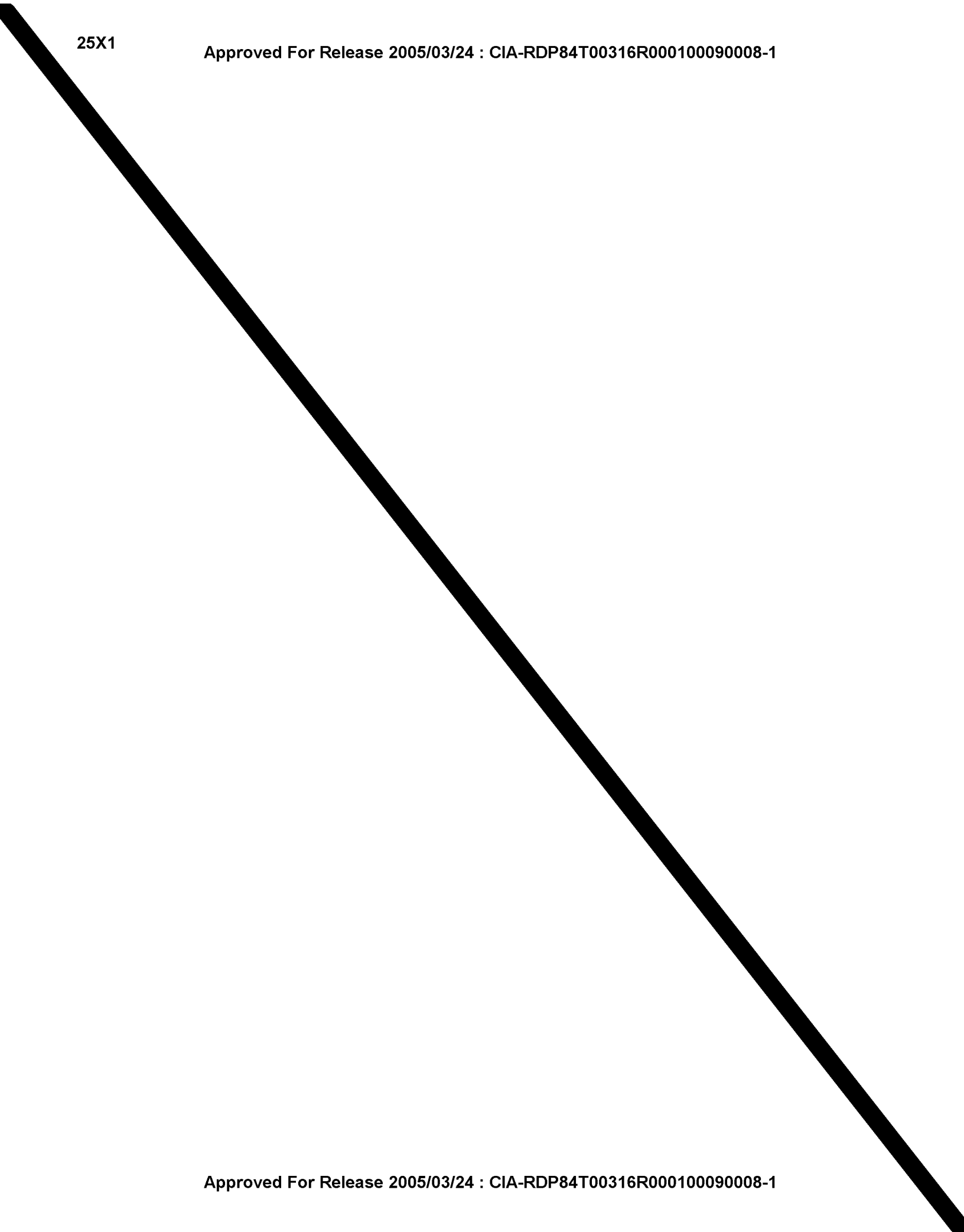
SUBJECT: Discussion Topics for 20 December Meeting [redacted] 25X1

25X1 OD/GCR:JPL [redacted] jmc/[redacted] (14 Dec 1979) 25X1

Distribution:
1 - DD/NFAC
1 - D/OER
1 - D/OIA
25X1 1 - NFAC/MS [redacted]
2 - D/GCR
1 - Ch/ERAC
25X1 1 - ERAC/PAB [redacted]



Approved For Release 2005/03/24 : CIA-RDP84T00316R000100090008-1

Attachment A

3 December 1979

PETROLEUM ANALYSIS PROJECT
FIELD ASSESSMENT PLAN

Until now, the field assessment work accomplished by Project CHALLENGE has proceeded in a manner that would both satisfy DD/S&T/ORD research and development objectives and provide significant intelligence on key Soviet petroleum-producing fields. The status of field assessment work to date is as follows:

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Initial analysis work on including predic- 25X1
tion scenarios for Soviet-planned installation of gas-lift equipment, was completed in June 1978. Monitoring of production data and further Soviet development of this field, which accounts for 25% of their petroleum production and is of critical import to their future plans, showed the need for further analysis; a revised assessment taking into account infill drilling and a number of other new assumptions was completed in November 1979.

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Analytical work on the second largest 25X1
producing field in the USSR, has been completed, and the Field Analysis Report will be completed in typescript in the next several weeks. The size, complexity, and "age" (in terms of its advanced position along the production curve) of this field dictated a modified analytical approach: rather than using a full numerical reservoir simulator for the whole field, other 25X1
forms of intensive assessment (analogous area studies and

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decline-curve analysis) were employed to obtain the conventional recovery forecast. A selected portion of the field was, however, simulated to provide a basis for use of a special enhanced-recovery model to forecast the effect of Soviet plans to employ CO_2 injection techniques there in the future.

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Collateral research and preliminary subsurface-geologic analysi

25X1 for the third largest Soviet field, are essentially complete, and during December initial photogeologic and engineering analysis will begin. 25X1

Future Field Assessment Work

From the production viewpoint, an optimal field assessment plan for the Petroleum Analysis Project would be predicated on the following assumptions:

--Maximum contractor involvement with full funding

--A PAP team consisting of a manager, geologic analyst, collateral analyst and three trained PI's (all full-time)

--Timely completion of external front-end analysis work in USGS, and of collection efforts in other Agency components

--Adequate ADP support at the appropriate time

--Minimal diversion of personnel resources to other work 25X1

--Availability of sufficient data to preclude radical shifts in analytical direction and the attendant delays

Given these assumptions, the Project analytical team should be able to accomplish the following work schedule, in which work completion dates are listed:

January 1980--Complete analysis and Field Analysis Report (FAR) 25X1

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March 1980--Complete [redacted] Field analysis and FAR 25X1

August 1980--Complete analysis of [redacted] Field, a rapidly- 25X1
rising producer in Western Siberia that is overtaking (or has
25X1 overtaken) [redacted] position as third-place producer, and
complete FAR

December 1980--Complete Analysis of [redacted] Field, China's 25X1
leading producer, and associated FAR

[redacted]

Upon completion of this schedule, intensive field analysis efforts would probably focus on other Soviet and Chinese fields, along with key fields in other areas of the world where crucial production scenarios and a paucity of data dictate thorough analysis. Assessment priorities would similarly be determined through joint consultation with OER. [redacted] 25X1

The only anticipated diversion of Project resources during the above planning period will occur during the January-March 1980 time period, when at OER's request the Project geologist will work with the photogeologic contractor to develop quick technical assessments of the many smaller fields in the West Siberian producing region to provide a basis for a regional model of that area. The effect of this diversion should be minimal, and is incorporated into the schedule. [redacted] 25X1

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SECRET [redacted]

Attachment B
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PETROLEUM ANALYSIS PROJECT
FUNDING OPTIONS

The uncertainty of FY 1980 funds availabilities for the Petroleum Analysis Project led the CHALLENGE Steering Panel at its meeting on 21 November to direct the preparation of an options paper identifying and examining a range of funding options, varying from a fully-funded scenario at the [redacted] 25X1 level to a split-funding scenario at the [redacted] level, in which 25X1 FY 1981 funds would be used for the last three months of calendar year 1980. Given this range, five options emerge. The advantages and disadvantages of each of these options (which are arranged in sequence according to their impact on the Project's ability to accomplish its mission and work plan as defined in the previous section) are examined below. [redacted] 25X1

25X1 Option 1-[redacted] (Full funding) for the Period 1 January to 31 December 1980

This option would provide for full implementation of the work schedule associated with the Field Assessment Plan already

25X1 defined. [redacted]

Advantages:

--Optimal utilization of contractors and personnel resources available to the Project

--It would provide a suitable production year as the basis for a fair NFAC evaluation of the merits of continuing this type of approach to petroleum analysis [redacted] 25X1

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Disadvantages:

25X1 --[redacted] would have to be shifted to PAP from other NFAC external-fund programs in FY 1980 [redacted] 25X1

25X1 Option 2--[redacted] for the Period 1 January to 30 October 1980

Under this arrangement, the monthly spending level through FY 1980 would be approximately the same as under Option 1, but funds for the last three months of CY 1980 would have to be obtained from FY 1981 fiscal resources. [redacted] 25X1

Would this happen anyway?

Advantages:

--Work scheduling would not be significantly disrupted in the Project for the first nine months of CY 1980

--Desired levels of effort would remain the same as under the full-funding scenario for FY 1980, and appropriate training and travel could be accomplished [redacted] 25X1

Disadvantages:

25X1 --[redacted] would have to be shifted to PAP from other NFAC external-fund programs in FY 1980

--Work scheduling would probably be disrupted at the beginning of FY 1981, as new FY funds are not usually released until November or December, and contract implementation would require additional delays; such a disruption could occur at a critical time just before the 1981 Project review. [redacted] 25X1

Would this be? Generalized

25X1 Option 3-[redacted] for the Period 1 January to 31 December 1980

The monthly spending level under this arrangement would be reduced approximately 25 percent throughout CY 1980. [redacted] 25X1

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Advantages:

--Contractor scheduling could be more flexible, allowing for unanticipated changes in the basic assumptions underlying the work plan

--More time would be available for internal staff training and work on spin-off projects/short analysis articles [redacted] 25X1

How would this be used - what would it be doing?

Disadvantages:

--Reduced contractor availability due to funds limitations would result in the following changes to the work schedule:

April 1980--Complete [redacted]
November 1980--Complete
April 1981--Complete
September 1981--Complete

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25X1 --[redacted] would still have to be shifted to PAP from other NFAC external-fund programs in FY 1980

--Contract monitoring work by the staff and professional training would be reduced and/or delayed until FY 1981 funds

25X1 are available [redacted]

25X1 Option 4--[redacted] for the Period 1 January to 30 October 1980

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The monthly spending level under this arrangement would represent a 34 percent reduction from the full funding level. [redacted]

Advantages:

--No disruption of funding for other NFAC programs

--PAP staff could accomplish considerable front-end collateral and geologic analysis work for fields to be studied in FY 1981 (assuming full funds are available for FY 1981) [redacted] 25X1

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Disadvantages:

--Reduced contractor availability due to funds limitations would result in the following changes to the work schedule:

May 1980--Complete
January 1981--Complete
July 1981--Complete
December 1981--Complete

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--Contract monitoring work by the staff and professional training would be delayed until FY 1981 funds are available

--NFAC assessment in the January 1981 review would have to be based on significantly reduced capabilities for the Project

--Work scheduling would probably also be disrupted at the beginning of FY 1981, as in Option 2 above, with the same effects

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25X1 Option 5- for the Period 1 January to 31 December 1980

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The monthly spending level under this arrangement would represent a 50 percent reduction from the full funding level.

Advantages:

--No disruption of funding for other NFAC programs

--One photointerpreter would be free to work at least half-time on other projects for PAP or his parent office 25X1

Disadvantages:

--Reduced contractor availability due to funds limitations would result in the following changes to the work schedule:

June 1980--Complete
April 1981--Complete
Remainder of schedule dependent on FY 1981 funding

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--No training or contract monitoring travel during 1980

--NFAC January 1981 review would be based on a work capability reduced by approximately 60 percent from the optimal level of effort